

Bank of Canada governor must do better on climate change

The Toronto Star

May 21, 2021 Friday

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Section: EDITORIAL; Pg. A14

Length: 507 words

Byline: David Barmes Contributor

Body

When Tiff Macklem became governor of the Bank of Canada, sustainability experts had high hopes that he would make leaps on climate. But recent remarks suggest he's shying away from concrete policy actions, and the bank could fall further behind more proactive central banks. Although the latest "Financial System Review" released on May 20 includes analysis of climate risks, there's still no sign the bank is taking the necessary steps to actively steer the financial sector in a sustainable direction. When will Macklem finally treat the climate crisis with the urgency it requires?

The Bank of Canada is a long way behind other central banks acting on climate. Brazil's central bank initiated environment-related credit checks and incentives for rural credit, and the French central bank is phasing out fossil fuels from its investment portfolios. Positive Money's green ranking of central banks placed Canada 11th in the G20 - hardly a leadership role.

Mark Carney - one of Macklem's predecessors - raised awareness globally of climate-related risks during his time at the U.K.'s central bank. The Bank of England is now required to support the government's environmental priorities, and will soon explain how it will decarbonize its corporate bond purchase scheme.

The current Bank of Canada boss at least recognizes climate change as a threat to financial stability, but he's failing to take ambitious steps to address it. A growing wealth of research points to how central banks can play a key role in tackling climate and ecological breakdown. A consensus is emerging on which financial policies would be most feasible. Getting "tougher on buffers" is a particularly promising avenue to break the "climate-finance doom loop."

Macklem's focus on measuring and disclosing climate-related financial risks won't cut it. These risks are too complex to be effectively quantified, and markets cannot be trusted to self-regulate.

If the Bank of Canada under Macklem's leadership isn't ready to explore more proactive measures to green the financial system, it will need additional guidance. The federal government's renewal of the bank's mandate this year is an opportunity to do just that.

The federal government recently announced a Sustainable Finance Action Council, but a council of banks, insurers and pension funds could result in weak voluntary measures. Since the Paris Agreement, Canada's Big Five banks financed over \$726 billion in fossil fuels. As scientists - and the International Energy Agency - implore us to hit the brakes, Canada's banks are stepping on the gas. As head of the Bank of Canada, Macklem must show leadership in reorienting finance to help meet Paris commitments.

Canada's central bank must do better to address the planetary emergency in order to protect Canada's economic stability, as well as the health and well-being of Canadians and those around the world already impacted by climate change and ecological collapse.

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David Barmes is an economist at Positive Money and a member of the Climate Safe Lending Network.

Classification

Language: ENGLISH

Publication-Type: Newspaper

Journal Code: TTA

Subject: CENTRAL BANKS (92%); CLIMATE CHANGE (90%); CLIMATOLOGY (89%); ECONOMIC POLICY (89%); GOVERNMENT & PUBLIC ADMINISTRATION (89%); GOVERNORS (89%); GREEN FINANCE (89%); PUBLIC POLICY (89%); SUSTAINABLE DEVELOPMENT (89%); REPORTS, REVIEWS & SECTIONS (79%); AGREEMENTS (78%); CLIMATE CHANGE REGULATION & POLICY (78%); ECOLOGY & ENVIRONMENTAL SCIENCE (78%); NEGATIVE ENVIRONMENTAL NEWS (78%); RISK MANAGEMENT (78%); BUSINESS NEWS (77%); SCIENCE & TECHNOLOGY (76%); EMERGING MARKETS (74%); ECONOMY & ECONOMIC INDICATORS (73%); PENSION FUNDS (73%); CORPORATE BONDS (72%); RURAL DEVELOPMENT (69%); EDITORIALS & OPINIONS (59%); RURAL COMMUNITIES (54%)

Company: BANK OF ENGLAND (55%)

Industry: NAICS521110 MONETARY AUTHORITIES - CENTRAL BANK (55%); SIC6011 FEDERAL RESERVE BANKS (55%); CENTRAL BANKS (92%); BANKING & FINANCE (90%); ENERGY & UTILITIES (89%); GREEN FINANCE (89%); SUSTAINABLE DEVELOPMENT (89%); FOSSIL FUELS (88%); BANKING & FINANCE REGULATION & POLICY (78%); RISK MANAGEMENT (78%); PENSION FUNDS (73%); CORPORATE BONDS (72%); INSURANCE (71%)

Person: MARK CARNEY (79%)

Geographic: PARIS, FRANCE (71%); CANADA (98%); BRAZIL (79%); UNITED KINGDOM (79%)

Load-Date: May 21, 2021

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